

**CITY OF DULUTH  
&  
SAINT LOUIS COUNTY  
COMMUNITY DEVELOPMENT**

**SECTION 3  
ADMINISTRATIVE PLAN**

**JANUARY 27, 2012**

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## **I. INTRODUCTION**

Section 3 of the Housing and Urban Development Act of 1968 and as amended by the Housing and Community Development Act of 1994 (hereafter referred to simply as Section 3), requires that:

“To the greatest extent feasible, employment and other economic opportunities generated by HUD funds be directed to low and very low income residents”.

This is the official document for implementing Section 3 requirements as they relate to Housing and Urban Development (HUD) funds within the City of Duluth and St. Louis County.

## **II. DEFINITIONS**

**Section 3 Business Concern.** A business that is either 1) 51% or more owned by Section 3 residents, or 2) has at least 30% of its full time (regular, seasonal, or temporary) employees are currently Section 3 residents or were within 3 years of their date of first employment Section 3 residents, or 3) provides evidence of a commitment to subcontract more than 25% of the dollar award to business concerns that meet either of the first two qualifications. Both for profits and non-profits can be considered a Section 3 Business Concern.

**Section 3 Project.** A project using HUD funds (CDGB, HOME, ESG) that involves construction or rehabilitation of housing (including reduction of lead based paint hazards), or other public construction such as homeless shelters, street repair, sewage line repair, updates to building façade, etc.

**Section 3 Recipient.** Any entity which receives Section 3 assistance, either directly from HUD or another recipient. This term does not include contractors, the City of Duluth, St. Louis County, or any other ultimate beneficiary.

**Section 3 Resident.** 1) A public housing resident, 2) a low or very low income person residing in the metropolitan area, 3) Person receiving Section 8 rental assistance, 4) Veterans of Military Service, or 5) Persons receiving TANF/MFIP assistance. The Duluth MSA contains the Cities of Duluth and Superior, WI, and the Counties of St. Louis and Douglas, WI.

**Section 3 Service Area.** The geographic area in which the persons benefitting from the Section 3 Project reside. This area does not extend beyond the unit of local government in which the Section 3 covered financial assistance is expended. This would mean the City of Duluth and St. Louis County.

**New Hires.** Full-time employees hired for permanent, temporary, or seasonal employment that is created by a Section 3 Project.

**Low Income.** Income that is 50% or less of the Area Median Income (AMI), based on family size.

**Moderate Income.** Income that is 80% or less of the Area Median Income (AMI), based on family size.

**Safe Harbor.** Absent evidence to the contrary, if a recipient or contractor meets the Section 3 goals, the recipient or contractor is considered to be in compliance. A recipient or contractor considered to be in compliance with Section 3 may not be subject to routine compliance reviews.

### **III. GOALS**

Section 3 does not require set-aside guarantees, but only goals that recipients must try to meet in order to demonstrate Section 3 compliance. Section 3 is not intended to create an entitlement for eligible residents and business, simply opportunities. The “best effort made” goals of Section 3 are as follows:

Goal 1, Employment: 30% of the new hires needed to complete a Section 3 covered project should be Section 3 residents.

Goal 2, Contracting: 10% of the total dollar amount of all Section 3 covered contracts for building trades work arising in connection with a Section 3 Project shall be award to a Section 3 business.

Goal 3, Contracting: 3% of the total amount of all non-construction contracts in a covered Section 3 Project shall be awarded to Section 3 businesses.

### **IV. APPLICABILITY**

Section 3 requirements apply to all contractors and subcontractors receiving contracts or subcontracts for covered funds in excess of \$100,000 to complete a Section 3 Project. It should be noted that this amount is the minimum threshold and it is not cumulative. For example, Contractor “X” receives three separate contracts valued at \$25,000, \$75,000, and \$90,000. While the total amount is \$190,000, not one of the contracts individually exceeds the \$100,000 minimum threshold.

If a contractor or subcontractor has the need to hire full time new persons to complete a Section 3 Project, they are subject to meet the Section 3 employment goals. Note that new hires must be qualified for the position and not simply be hired to meet Section 3 goals. The priority for hiring Section 3 residents is:

- Category 1, Section 3 residents residing in the service area or neighborhood in which the covered project is located.
- Category 2, Participants in HUD Youthbuild program.
- Category 3, Homeless persons residing in the service area or neighborhood.
- Category 4, All other Section 3 Residents.

### **V. OUTREACH TO SECTION 3 RESIDENTS**

When a Section 3 eligible position is created or becomes available, it is the general practice of the City of Duluth to post the job opportunity notice at the Workforce Centers and the public housing authorities so that Section 3 residents are aware of current openings and may apply for consideration for those positions. These job opportunity postings will be advertised per normal city and county policy, and may also be sent to various community outreach groups that work directly with Section 3 residents, as well as posted in community newspapers (such as the Hillsider).

### **VI. OUTREACH TO BUSINESSES**

The City of Duluth will maintain a list of businesses that have been certified to comply with Section 3 standards (referred to as Section 3 Business Concerns). The City of Duluth will annually advertise in January for new contractors to join this list of certified businesses annually. The business will need to complete the self-certification form and send this to the City of Duluth Community Development office. The advertisement will be in the City and County’s legal newspapers of record as well as relevant local trade journals or trade organizations. The City of Duluth will make this list available to interested parties

who are using federal funds subject to Section 3 regulations, including St. Louis County, Virginia HRA, Hibbing HRA and the Duluth HRA.

## **VII. PROCUREMENT AND CONTRACTING**

When procuring goods and/or services on Section 3 Projects, the City of Duluth may award the contract to a certified Section 3 Business Concern if the bid/offer from the Section 3 Business Concern is no more than 5% greater than the lowest responsible offer, and within budget.

Businesses working for the City of Duluth on Section 3 eligible projects will be encouraged to the greatest extent feasible to recruit Section 3 eligible residents.

## **VIII. MONITORING AND COMPLIANCE**

The City of Duluth will monitor annually contractor's outreach and hiring practices for compliance with Section 3 regulations. The City of Duluth reserves the right to do monitoring and compliance inspections on an as-needed basis. The City of Duluth and St. Louis County will submit an annual report to HUD on the program's Section 3 contract activity. The public will be notified of the results with the publication of the Consolidated Annual Performance and Evaluation Reports (CAPER) from both jurisdictions.

All Section 3 certified businesses must recertify every two years. Any business that does not recertify during that period will be removed from the list.

## **IX. QUESTIONS AND ISSUES RELATED TO THIS PLAN**

The responsibility to ensure that "the best efforts are made to reach Section 3 goals" rests upon the cooperation and assistance of the City of Duluth Community Development, subrecipients, contractors, and subcontractors. All organizations that work on Section 3 Projects shall cooperate fully and promptly with the monitoring, compliance reviews, and investigations.

## **X. COMPLAINTS**

Any Section 3 resident or Section 3 business (authorized representative) seeking employment, training or contracting opportunities generated by Section 3 covered assistance may file a complaint using form HUD 958. The complaint must be filed no later than 180 days from the date of the action or omission upon which the complaint is based.

The complaint must be filed with the Regional FHEO office, see the [www.hud.gov/offices/fheo](http://www.hud.gov/offices/fheo) for the nearest office.